

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (3/24)**  
**BUTTER:** Grade AA closed at \$1.5475. The weekly average for Grade AA is \$1.5500 (-.0325).

**CHEESE:** Barrels closed at \$1.5650 and blocks at \$1.6025. The weekly average for barrels is \$1.5069 (+.0659) and blocks, \$1.5413 (+.0673).

**BUTTER:** The butter market is weak as the cash price at the CME has declined in three consecutive trading sessions. Cream supplies are reported to be heavier than in recent weeks. Butter producers feel that Class II demand for cream has dropped off now that Easter orders have been filled, thus creating additional cream offerings to butter producers. For the most part, orders during the week were lighter as most Easter needs have been filled, although some handlers did report heavier than anticipated fill-in orders. Producers and handlers anticipate slow sales for next week as buyers assess inventories and then prepare for Passover needs.

**CHEESE:** The cash cheese market is firm. The price roller coaster continues with a strong rebound in prices (a total of around 12 cents) at the Chicago Mercantile Exchange (CME) cash cheese market this week. Some buyers remember that cheese prices last year on the CME were around \$2.00 per pound. Buyers are actively searching for additional volumes of blocks, both on and off the CME. Strong demand continues for good processing solids for later use though barrel interest is moderate at best. Cheese production is steady to heavier seasonally. Many plant operators are reluctant to make additional spot milk purchases, expecting cheese prices could fall and demand slow just when the resulting cheese is shippable. CCC announced Invitation 080 to Announcement MCD3 seeking offers to sell to CCC about 32.5 – 65.3 million pounds of mozzarella for delivery July 2005 – June 2006. Offers are due April 6 with results scheduled for release April 20.

**FLUID MILK:** National milk production is steady to higher. In Florida, milk production is nearing seasonal peaks whereas in most other regions of the nation, milk production is slowly building momentum towards the seasonal flush. With many schools closed for spring break and the Easter holiday, less milk is moving into bottling plants and more milk is available for manufacture. Interest in condensed skim is good, especially for Class III users. Reduced commercial supplies of NDM are encouraging condensed skim prices higher. Cream supplies are long and prices are lower due to

reduced butter prices and lower multiples. Light cream interest from Class II users is encouraging most cream movement into churns

**DRY PRODUCTS:** Dry product prices are trending steady to higher with some production increases noted due to increased milk supplies available for manufacture during the spring break/Easter holiday week. Protein remains short of buyer interest. As a result, increased prices are noted for NDM, WPC and whey. NDM domestic producers are more apt to satisfy export orders before catering to the interests of domestic buyers, resulting in shipment delays and contractual load shortages to domestic end-users at some locations. Buttermilk prices are generally unchanged. As an alternative protein source, interest in buttermilk remains fairly good. Lactose prices are unchanged. Negotiations on second quarter contracts continue with some renewed interest noted from the feed sector.

**CCC:** During the week of March 21 - 25, there was no price support activity.

**COLD STORAGE (NASS):** On February 28, U.S. cold storage holdings of butter totaled 111.2 million pounds, 44.1% more than a month ago but 30.1% less than last February. Natural American cheese holdings total 497.2 million pounds, 3.8% more than a month ago 6.6% lighter than a year ago. Nonfat dry milk holdings at the end of January 2005 total 448 million pounds, 64 million pounds less than last month and 497 million pounds less than January 2004. The government holds 79.7% of the total nonfat holdings.

**DAIRY OUTLOOK (ERS):** Milk production in 2004 nearly matched production in 2003. Reduced supplies of heifers from Canada, implementation of the CWT program and reduced availability of bovine somatotropin (BST) are primary factors that hampered milk production increases in 2004. In 2005, the number of heifers is increasing, despite the continued ban on Canadian livestock imports. BST production and supply availability are also increasing. As a result, milk production is expected to expand in 2005 to about 2% higher than 2004. Demand for cheese and butter in 2005 will remain comparably strong to 2004. Commercial use of milkfat is expected to increase about 1% in 2005 whereas commercial use of skim solids is projected to rise about 2% due in part to increased export activity. Although retail dairy prices increased more than 7% in 2004, prices in 2005 are expected to be no more than 1-2% higher due to increased dairy production expansion and consumer price resistance.

**\*\*\*\*SPECIAL THIS ISSUE\*\*\*\***

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY MARCH 21	TUESDAY MARCH 22	WEDNESDAY MARCH 23	THURSDAY MARCH 24	FRIDAY MARCH 25	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4450 (N.C.)	\$1.4675 (+.0225)	\$1.5500 (+.0825)	\$1.5650 (+.0150)	CME	(+.1200)	\$1.5069 (+.0659)
40# BLOCKS	\$1.4800 (N.C.)	\$1.5025 (+.0225)	\$1.5800 (+.0775)	\$1.6025 (+.0225)	CLOSED	(+.1225)	\$1.5413 (+.0673)
BUTTER GRADE AA	\$1.5525 (-.0300)	----	\$1.5475 (-.0050)	----	NO TRADING	(-.0350)	\$1.5500 (-.0325)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) NOTE: CME NDM on Page 2. The CME will be closed on Friday, March 25, 2005.

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, MARCH 21, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS 40# BLOCKS @ \$1.4800; OFFERS UNCOVERED: NONE

BUTTER — SALES: 11 CARS GRADE AA: 1 @ \$1.5450, 1 @ \$1.5400, 4 @ \$1.5500, 1 @ \$1.5525, 3 @ \$1.5500, 1 @ \$1.5525; BIDS UNFILLED: 9 CARS GRADE AA: 1 @ \$1.5525, 1 @ \$1.5500, 1 @ \$1.5425, 2 @ \$1.5400, 1 @ \$1.5350, 1 @ \$1.5300, 2 @ \$1.5000; OFFERS UNCOVERED: 7 CARS GRADE AA: 4 @ \$1.5600, 1 @ \$1.5650, 1 @ \$1.5800, 1 @ \$1.5900

TUESDAY, MARCH 22, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4675; 21 CARS 40# BLOCKS: 4 @ \$1.5025, 2 @ \$1.5000, 2 @ \$1.4975, 2 @ \$1.4950, 2 @ \$1.4900, 2 @ \$1.4875, 2 @ \$1.4825, 5 @ \$1.4800; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 23, 2005

CHEESE — SALES: 6 CARS 40# BLOCKS: 2 @ \$1.5550, 4 @ \$1.5650; BIDS UNFILLED: 9 CARS BARRELS: 1 @ \$1.5500, 1 @ \$1.5400, 1 @ \$1.5300, 1 @ \$1.5250, 1 @ \$1.5200, 4 @ \$1.4675; 49 CARS 40# BLOCKS: 4 @ \$1.5800, 2 @ \$1.5700, 2 @ \$1.5650, 2 @ \$1.5550, 4 @ \$1.5500, 1 @ \$1.5400, 2 @ \$1.5375, 2 @ \$1.5350, 3 @ \$1.5300, 2 @ \$1.5275, 4 @ \$1.5250, 2 @ \$1.5225, 2 @ \$1.5125, 2 @ \$1.5100, 2 @ \$1.5075, 4 @ \$1.5050, 9 @ \$1.5025; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6000

BUTTER — SALES: 13 CARS GRADE AA: 1 @ \$1.5525, 1 @ \$1.5475, 1 @ \$1.5450, 1 @ \$1.5500, 2 @ \$1.5525, 3 @ \$1.5550, 1 @ \$1.5500, 3 @ \$1.5475; BIDS UNFILLED: 9 CARS GRADE AA: 2 @ \$1.5450, 3 @ \$1.5400, 2 @ \$1.5300, 2 @ \$1.5100; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 24, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.5650; 10 CARS 40# BLOCKS: 6 @ \$1.6000, 4 @ \$1.6025; BIDS UNFILLED: 28 CARS 40# BLOCKS: 2 @ \$1.6025, 4 @ \$1.6000, 2 @ \$1.5975, 2 @ \$1.5950, 2 @ \$1.5925, 2 @ \$1.5900, 2 @ \$1.5875, 4 @ \$1.5850, 2 @ \$1.5825, 6 @ \$1.5800; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5650

FRIDAY, MARCH 25, 2005--NO TRADING, CME CLOSED FOR OBSERVANCE OF GOOD FRIDAY

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9550 and Grade A at \$0.9750. (The last price change occurred March 24.) The weekly average for Extra Grade is \$0.9519 (+.0089) and Grade A is \$0.9719 (+.0004).**BUTTER MARKETS****FEBRUARY COLD STORAGE**

According to NASS, February month-ending cold storage figures for butter total 111.2 million pounds, 30.1% less than last February, but 44.1% more than January 2005.

**NORTHEAST**

The butter market remains unsettled. However, the cash price at the CME (through 3/21) declined during the last two trading sessions after increasing the previous four. Some contacts wonder where this market is heading. Stock figures show less butter in storage, but production remains heavy and inventories are reportedly growing. Demand for butter has eased now that most Easter orders have been delivered to retailers and restaurants. Cream supplies increased late last week and butter makers have more excess cream being offered to them. Stocks of butter are readily available for current needs. Demand for bulk butter is fair to good, but not very aggressive. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

**CENTRAL**

Butter markets are weak as the cash price at the CME has declined in three consecutive trading sessions through midweek. This weakening trend has some producers and handlers puzzled, while others are indicating that this is the direction the price should be going at this time of the year. Cream supplies are reported to be heavier than in recent weeks. Butter producers feel that Class II demand for cream has dropped off now that Easter orders have been filled, thus creating additional cream offerings to butter producers. Butter demand is fair at best this

week. Suppliers and handlers state that some last minute print orders were being placed to fill in, especially where feature activity has cleared larger than expected volumes of butter. Food service orders are light. Producers and handlers anticipate slow sales for next week as buyers assess inventories and then prepare for Passover needs. Bulk butter for spot sale is being reported in the 2 – 4 cents per pound over various pricing basis.

**WEST**

Butter prices have weakened the last couple of trading sessions at the cash CME market and now stand at \$1.5475. Prior to these sessions, prices had been steady to firmer. Some Western producers are surprised at the number of orders that are coming in this week still related to Easter sales. More firms seem to be ordering just in time for needs and not stocking up earlier. Producers are hard pressed to make and ship enough butter to meet these very late orders. Producers are hanging on to all the cream that is available. With these late sales, the overall shipments for Easter are much better than the early estimates indicated. Contacts are wondering what the supply/demand balance will look like once Easter is finished. The U.S. Cold Storage report released this week for the end of February indicates that stocks are 111.2 million pounds, down 30% or 47.8 million pounds from last year. Average stocks for the last six years for this time period are 135.5 million pounds. Stocks during February expanded by 34.0 million pounds, a 44% increase from January. The average increase for the last six years is a bit more than 24 million pounds. CME weekly butter stocks for last week declined for the first time since late December. Stocks fell by 1.7 million pounds to stand at 63.4 million pounds. Bulk butter prices range from flat to 3 1/2 cents under based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

	40# BLOCKS	CHEESE 38% MOISTURE BARRELS	NDM	BUTTER	DRY WHEY
<b>WEEK ENDING</b>					
MARCH 19	1.5100	1.4787	0.9095	1.5364	0.2495
	8,747,186	10,177,389	19,703,954	3,271,850	11,247,686

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are slightly higher and the market tone is steady to firm. Cheese output in the Northeast is mixed. Plants that make traditional cheeses for Easter and Lent have eased production schedules now that orders have been shipped. Other plants continue to operate at a steady pace. Fluid milk supplies are increasing along seasonal patterns. Demand for cheese is easing now that Easter needs have been met. Retail sales are slow to fair and food service orders are good. Easter is one of the heaviest dining-out weekends and restaurants have been taking good quantities of cheese. Distributors seem a little more willing to order cheese now that the CME cash market price appears to be holding relatively steady for the time being.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5400-2.0550
Cheddar Single Daisies	:	1.4975-1.9725
Cheddar 40# Block	:	1.6150-1.8700
Process 5# Loaf	:	1.6500-1.8575
Process 5# Sliced	:	1.6700-1.8850
Muenster	:	1.7125-1.9150
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is firm, at least for the short term. Some traders expect the price rollercoaster to continue to increase at the Chicago Mercantile Exchange cash cheese market. Current cheddar blocks are tight to short of needs. At least a few block producers are looking for supplemental supplies to help fill orders. The growth in other American type cheeses is shown in the January production data showing American types up 0.1% but cheddar down 3.0%, part of the growth in flavored and specialty American types. Efforts continue to rebuild cheddar aging programs. Sharp cheddar inventories remain limited. Process demand is steady to just occasionally heavier though still below anticipated spring and summer levels. Processors are trying to build inventory of barrels and other processing solids. Mozzarella offerings often exceed the interest. Cheese production is steady to heavier. Cheese yields are slipping lower for many operations. Some extra milk is available for manufacturing as Class I use is lighter where schools are on spring/holiday break.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6400-1.9900
Brick And/Or Muenster 5#	:	2.0000-2.0275
Cheddar 40# Block	:	1.8300-2.2650
Monterey Jack 10#	:	2.0675-2.2650
Blue 5#	:	2.3225-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7725-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.9000

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
03/21/05	38,105	: 128,902
03/01/05	34,291	: 124,686
CHANGE	3,814	: 4,216
% CHANGE	11	: 3

## WEST

Cash cheese prices at the CME market have been higher in recent trading. The market strength seems to have been helped by the release of the Cold Storage report this week. The report indicates that American cheese stocks, at the end of February, stand at 497.2 million pounds, down 7% or 35.4 million pounds from last year. During February, stocks grew by 18.0 million pounds or about 4%. The average increase noted for the last six years has been more than 17 million pounds. Total stocks of cheese at the end of the month are 716.7 million pounds, down 6% (49.4 million pounds) from last year. Swiss cheese stocks are 27.1 million pounds, up 7% from last year. Buyers are aggressively searching for additional current cheese and they are not able to find the volumes that they want. In fact, many buyers with contracts are not getting the cheese they were promised either. Buyers are often paying premiums for normal current cheese and above normal market prices for down graded cheese. Production patterns are not as heavy as anticipated at a number of plants. Some firms are trying to book some extra cheese now that prices are perceived to be more reasonable, but other end users are just trying to get the cheese that they need for normal, ongoing commitments. Contacts are curious to see how this will play out over the next few weeks.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5925-1.8500
Cheddar 40# Block	:	1.5950-1.9475
Cheddar 10# Cuts	:	1.7750-1.9950
Monterey Jack 10#	:	1.7850-1.9450
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

## FOREIGN

Prices are unchanged to higher. The market tone is slightly improved and typical for an Easter week. Retail and food service orders have been fair to good and wholesalers are active this holiday-shortened week. The Euro remains strong against the Dollar, which continues to impact importers' decisions on purchases.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6900	: 1.8550-3.3550*
Gorgonzola	: 3.6900-5.9400	: 2.3650-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2700-3.3750*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.8575-2.0900*
Romano (Cows Milk)	: -0-	: 3.0500-5.2150*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	196	0	182	0	162
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following February 2005 uniform prices: Northeast \$15.51, Mideast \$14.71, Southeast \$15.80, Florida \$17.08 and Western New York (a state order) \$14.92 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) February milk production in the 23 major states totaled 12.24 billion pounds. Adjusting for leap year day, milk output is up 2.8% from February 2004. The following are the adjusted February-to-February changes for selected states: Florida +6.7%, Virginia +6.6%, New York +3.1%, Pennsylvania +2.4%, Texas +2.1%, Vermont +1.6%, and Kentucky +0.9%. Milk production continues to increase in Florida and most of the other Southeastern states. Recent rains may have retarded gains in South Florida, but increases continue in the northern part of the state. Contacts feel that they are nearing the seasonal peak in their annual milk production cycle. Milk output is slowly increasing in the Middle Atlantic and Northeastern states. Fluid milk supplies are heavier in most parts of the East. Most states have some of their schools on spring break and Class I milk needs are off accordingly. Also, Florida and other "wintering" areas are seeing the beginning of the exodus of winter residents. It seems that the exodus is starting a little earlier due to Easter falling so early this year. Consequently, Florida handlers shipped out increasing volumes of milk to process. Surplus milk volumes are increasing and most Southeastern balancing plants are now operating. Northeastern plant contacts report increasing milk receipts, but most still have capacity should it be needed. The condensed skim market is improving and prices are mostly steady. With NDM supplies so tight, more cheese makers are turning to wet solids to fortify their yields. The fluid cream market is weaker. After being fairly firm last week, Class II needs declined for Easter products and more excess cream went looking for outlets this week. Shipments of excess cream to Midwestern butter makers increased this week. Also, multiples used for Class II sales decreased in concert with slower demand. Spot prices did, however, increase due to the nearly six-cent jump in the CME butter average. Ice cream production is steady to lighter, but cream suppliers expect the improving weather will stimulate additional ice cream consumption and production. Production of dips, sour cream, and bottled cream slowed late last week as most Easter needs had been shipped. Eastern churning activity is heavy.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.9307-2.1839
DELIVERED EQUIVALENT ATLANTA	-	1.9465-2.1522 M 1.9781-2.0889
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9623-2.0731

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9800-1.0100
NORTHEAST- CLASS III - SPOT PRICES	- 1.1200-1.1600

## M I D W E S T

Class I interest was irregular this week, overall lighter. Most areas with the majority of schools closed for spring/holiday break were slow while others were steady, aided with strong production of holiday items such as dips, sour, and whipped cream. A few other handlers saw a slowdown around midweek while others expect next week to be their slow week when their schools will be out. Milk supplies are expected to be heavy over the holiday weekend, though with the recent strong rebound in cheese prices, milk interest may improve. Manufacturing milk demand was slow with not enough prices

received to quote a price range. Offers such as flat class price delivered for holiday weekend surplus were noted. Cream supplies are again long and multiples are often lower, particularly late in the week. At least one firm reduced their multiple and saw improved spot activity. Ice cream makers have been more active, especially in producing the large volume products/flavors ahead of warm weather. Fat and, especially, protein levels on incoming milk volumes are generally lower. Current milk intakes continue to grind seasonally higher though with the usual flat in some locations. Further south in the region, intakes are generally seeing larger seasonal increases. Heavy snowfall blanketed parts of the upper Midwest late last week with temperatures generally remaining below normal.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MARCH 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 54.00- 61.50	\$ 46.50- 51.50
REPLACEMENT HEIFER CALVES	\$350.00-690.00	\$300.00-600.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MARCH 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 57.00- 65.00	\$ 46.00- 54.25

## W E S T

Following several weeks of near ideal milk producing weather and subsequent recovery from heavy rains, more rain fell across most of CALIFORNIA this week. The effects were not seen initially, but the concerns are that cows and milk output will be impacted. There are also concerns over the hay crop and the condition of the first and usually better cutting of hay. Processing plants in the state have capacity for additional milk and there are some cheese plants wanting extra milk for current cheese needs. Bottled milk demand is often lower around spring breaks of schools and colleges. ARIZONA milk production continues to trend higher as recovery is made from wet conditions earlier in the month. Current levels are moving ahead of last year's pace after slipping below during the first part of the month. Current weather conditions are very cow friendly as dry and moderate temperatures cover most of the milk producing areas of the state. Sales to fluid milk bottlers are variable with sporadic spring break schedules occurring. The CREAM market is unsettled ahead of the Easter holiday weekend. Butter pricing at the CME was lower this week and Grade AA closed at \$1.5475 on Wednesday, March 23, a decline of 4.75 cents from a week earlier. Demand for cream from higher class items declined ahead of this week and cream was being discounted into the churns. Fuel surcharges are also being increased as fuel cost rise for trucking firms. Multiples are holding in the 110 to 124 range FOB, and vary depending on basing points and class usage. Milk receipts continue to increase slowly in the PACIFIC NORTHWEST. Producers are indicating that this is the start of a normal spring flush. Manufacturing plants are happy to get some additional milk supplies with current market prices. Fat and protein tests are beginning to back off a bit. Contacts indicate that the financials for producer farms look as good as they have in a long time this spring. Operating loans should not be much of a problem. Many producers have successfully paid down some long term debt and are in much better shape financially to weather a bout of lower prices if that is forthcoming. Some rain has fallen in the past week, but the clouds of a continuing drought continue to hang in the air. This problem is having an impact on old crop hay prices as dairies try to get some additional coverage as some insurance against short summer production possibilities. Heavy moisture continues to fall over much of UTAH with lesser amounts noted in IDAHO. Portions of Utah have recorded as much as four inches of rain in the past week and at least 40 inches of snow. Some mountain passes on the interstate have been closed for various periods of time leading to transportation problems before the holiday weekend. Some low land flooding is noted and it could become much worse if there is a bout of warm temperatures with some rain. Heifer prices in the region at two sales continue to be firm. Average prices range from \$1975-2110 with a top of the market recorded at \$2500. Demand remains firm and offerings are light.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are unchanged to higher on a firm market. Milk production is seasonally increasing, resulting in increased NDM production at some locations. More milk is also available due to school closings during the Easter holiday. Production increases are not significant enough to offset the overwhelming demand for protein, especially as some producers opt to store supplies as reserve for potential use this summer. Buyers looking for additional supplies are able to obtain a few loads in the West if they are accepting of shipment delays of a month or more. Traders are not anticipating the market to settle until sometime this fall.

**EAST:** The market tone remains firm. Prices are unchanged to fractionally higher. Production levels are up slightly as more surplus milk was reported in the East. With many schools down for spring break during this week and next, bottled milk sales have slowed. The additional milk is welcomed, but does not always mean more NDM output. Powder supplies have become tight and more users are turning back to condensed skim for their skim solids needs. These users, often cheese makers, are finding sufficient volumes, but by using condensed skim, drying schedules are reduced, which in turn keeps NDM stocks light. Most producers in the East are barely able to keep pace with orders. Many are behind on delivery schedules. Most spot needs are being filled in the resale market. Reportedly, the largest supplier in the country has a one to two month lead time on all new orders and they are struggling to meet contract shipping dates. The so-called government program powder is becoming harder to find and, when available, prices are in the low to mid 90's. The tight supply has some in the industry holding stocks with growing confidence. Even the CME cash price for NDM is moving higher this week.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUMHEAT: .9225 - 1.0100 MOSTLY: .9525 - .9625  
HIGHHEAT: .9575 - 1.0950

**NONFAT DRY MILK - WEST**

Low/medium nonfat dry milk prices continue to move slightly higher for both the range and mostly price series. The market tone remains firm. Spot trading is light. Delays in shipments of contract loads are common. Buyers looking for extra loads are finding fewer options. Sales of older powder acquired under prior government exchange programs are diminishing at prices around the bottom end of the current range. As supplies tighten, some buyers are miffed that they are not being serviced in a timely manner while exports are being given powder. On the reverse side, suppliers had asked buyers to put in orders for their 2005 needs. Despite the rise in prices, usage in cheese production continues. Contacts state that usage in mozzarella will continue even if prices raise more. Supplies of NDM and SMP on the world market remain tight and powders to compete with US exports are not expected in the short term. High heat NDM prices are steady to higher. Sales activity is light to moderate with some additional, seasonal type movement noted. Production is light and mainly on an as-ordered or scheduled basis. Stocks are light and are adequate for current needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUMHEAT: .8975 - .9800 MOSTLY: .9150 - .9400  
HIGHHEAT: .9375 - .9700

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 18	\$.8944	9,187,621	0
March 11	\$.8975	10,914,127	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices continue unchanged and nominal on a firm market. Trade activity is light. Offers are noted near the high side of the range with some price resistance noted. In general, producers are content in storing additional loads for potential use in spot or contractual orders this summer. Production is steady to higher in response to increased churn activity at some locations.

F.O.B. CENTRAL: .9450 - 1.0100

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are mostly steady and the market tone remains firm. Dry buttermilk output is about steady. Churning activity increased this week, but the seasonally improved demand for liquid/condensed buttermilk is keeping drying schedules fairly constant. Producer stocks range from light to adequate. Some producers are clearing their output easily while others do have some product in inventory. Demand is fair to good.

F.O.B. NORTHEAST: .9300 - .9700  
DELVD SOUTHEAST: .9600 - .9900

**DRY BUTTERMILK - WEST**

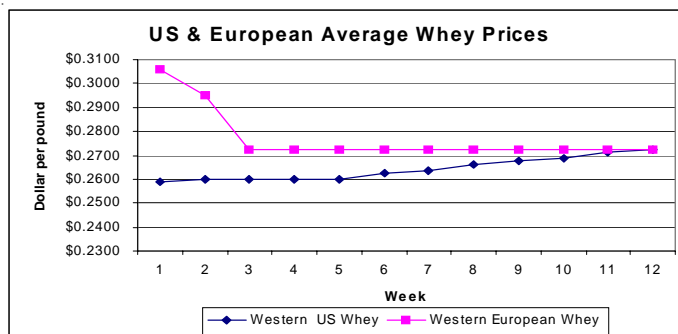
Dry buttermilk prices vary from steady to slightly higher for both the range and mostly series. The market tone remains steady to firm. Production is active in the region as butter output continues to be strong and drying time available. Condensed buttermilk movement is slow, but expected to build seasonally. Buying interest for dry buttermilk is fair to good and supplies are light to adequate from producers in the region. The general tightness in protein products is helping to support buttermilk. Stocks are available from producers and resellers.

F.O.B. WEST: .9300 - .9800 MOSTLY: .9300 - .9600

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to higher and prices remain nominal. Production levels are light as demand is slowing seasonally in some areas. However, with the world market for dry whole milk expected to be tight this year, some domestic producer are looking at maintaining production as long as they can. Producer stocks are closely balanced.

F.O.B. PRODUCING PLANT: 1.2775 - 1.4000



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Dry whey prices are higher on a steady to firm market. Although supplies are reportedly tight, producers are not aggressively pursuing higher prices in the spot load trade. Traders insist that prices need to move higher yet traders are also offering spot loads to feed buyers without prompting. Some traders indicate that the current spread between the Central and Western whey markets should be sufficient to encourage more marketing from the Central into export markets. Others indicate that due to the high cost of transportation, the spread needs to be at least a nickel. Verity of market trends is expected as second quarter commences. Production is steady to higher as milk supplies are more readily available due to school closings during the holiday week.

F.O.B. CENTRAL: .2425 - .2625 MOSTLY: .2450 - .2475

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices and the market tone are steady. The Northeast prices are nominal. Eastern producers continue to report a balanced to sold out position. Production levels are mostly steady, but as more milk becomes available, cheese output may start to increase. Most Eastern producers have committed most of their output to contract customers and have little to offer on the spot market. Those loads that are offered on the spot market are commanding the normal or typical premiums. However, traders or users who are looking to fill spot needs often have to find loads in the resale side of the market. Many in the trade are surprised by the fact the Central and Eastern prices have not changed in many weeks. This may be due to higher percentages of contracted output and fewer spot sales or a spot demand that is not aggressive enough to push premiums any higher.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650  
DELVD SOUTHEAST: .2700 - .2825

**DRY WHEY - WEST**

Western whey prices range from steady to fractionally higher. Some producers have to pull back on export commitments to meet growing interest from domestic users. Others indicate that export sales are increasing at prices that a month ago were suggested that they were "way too high". Any stocks at the producer level are being held with confidence, even going into the spring flush. Production is about at expected levels, but certainly no higher. The main issue seems to be that dairy proteins, in general, are tight and expected to remain that way in the near term.

NONHYGROSCOPIC: .2600 - .2950 MOSTLY: .2650 - .2800

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal. The market tone is steady to firm. Supplies remain limited for the good interest. February Veal production totaled 12.1 million pounds, 16% below February a year ago. Calf slaughter totaled 61,900 head, down 13% from February 2004. Pork production totaled 1.63 billion pounds, up 4% from the previous year. Hog kill totaled 8.10 million head, 3% above February 2004.

F.O.B. CENTRAL:  
MILK REPLACER: .2100 - .2375

As of March 2, 2005, Dairy Market News is temporarily suspending efforts to report a Dry Whey Permeate Market on April 8, 2005. Dairy Market News will continue to review pricing, industry specifications for Dry Whey Permeate and other dry dairy products in order to provide current, unbiased information to both buyers and sellers in the trade. Commencing Report 15 (April 8, 2005), Dairy Market News will be reporting the Animal Feed Whey-Central Milk Replacer price series and comment will be incorporated into the Dry Whey Central report. The Dry Whey Central Extra Grade price series will remain unchanged. Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708, Email: DonaldO.Nelson@usda.gov, Phone: 608-224-5079, Fax: 608-224-5078

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged to higher on a firm market. Trade activity is generally light due to limited supply availability. Producers that have a few additional loads to clear are generally opting to sell to brokers rather than dealing direct with end-users. Demand for 34% WPC is strong domestically and internationally. Some buyers are displacing their interest in 34% WPC with higher protein alternatives such as 80%. Supplies of 80% WPC are more available than 34% WPC at prices comparable to or higher than 34% WPC. WPC production is steady to higher as some plants increase milk intakes during the holiday week. Off grade supplies are limited for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .7800 - .8300 MOSTLY: .7900 - .8000

**LACTOSE - CENTRAL AND WEST**

Prices continue unchanged on a mostly steady market. Second quarter negotiations are continuing with no apparent resolve. Producers are expecting finalization by the week ending April 8. Competitive offers from Oceania on lower mesh size lactose are noted into Asia. Domestic demand is fair. Some renewed interest from feed buyers that cannot locate permeate or prefer the more attractively priced lactose is noted. Feed grade supplies are available for the good interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1600 - .2100 MOSTLY: .1600 - .1900

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Suppliers and buyers are both indicating that second quarter prices will be higher. Stocks are expected to remain in very close balance to short of full needs. European production is just getting underway for the season, thus it is still too early to project availability, although most producers are optimistic about the upcoming season. Prices in Europe are also firm which is causing some buyers to look to other sources for protein. Some suppliers state that this potential lighter demand in Europe might provide additional volumes for the U.S. market. The recent manufacturing aid reduction by 50% is not having a significant impact on prices at this time, but producers and handlers also state that it is early in the season.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.3000  
ACID: 3.2700 - 3.3500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production patterns are steady, but more surplus milk was available this week and some producers were able to purchase extra milk at "reasonable" prices. Demand is slow to fair and typical for this time of year. The market is still highly competitive. Producer stocks are building.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	JAN 31, 2003	JAN 31, 2004	REVISED JAN 31, 2005	FEB 28, 2003	FEB 29, 2004	FEB 28, 2005
Butter	204,828	152,448	77,215	239,879	159,066	111,239
Cheese, Natural American	514,914	518,113	479,227	538,833	532,616	497,206
Cheese, Swiss	25,060	25,244	26,010	23,151	25,356	27,088
Cheese, Other Natural	221,241	213,575	203,574	208,024	208,118	192,375
Total Cheese	761,215	751,326	708,811	770,008	766,090	716,669

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	349	1,258	108	1,391	1,209	100
Natural American Cheese	280	9,616	3,738	368	9,616	2,694

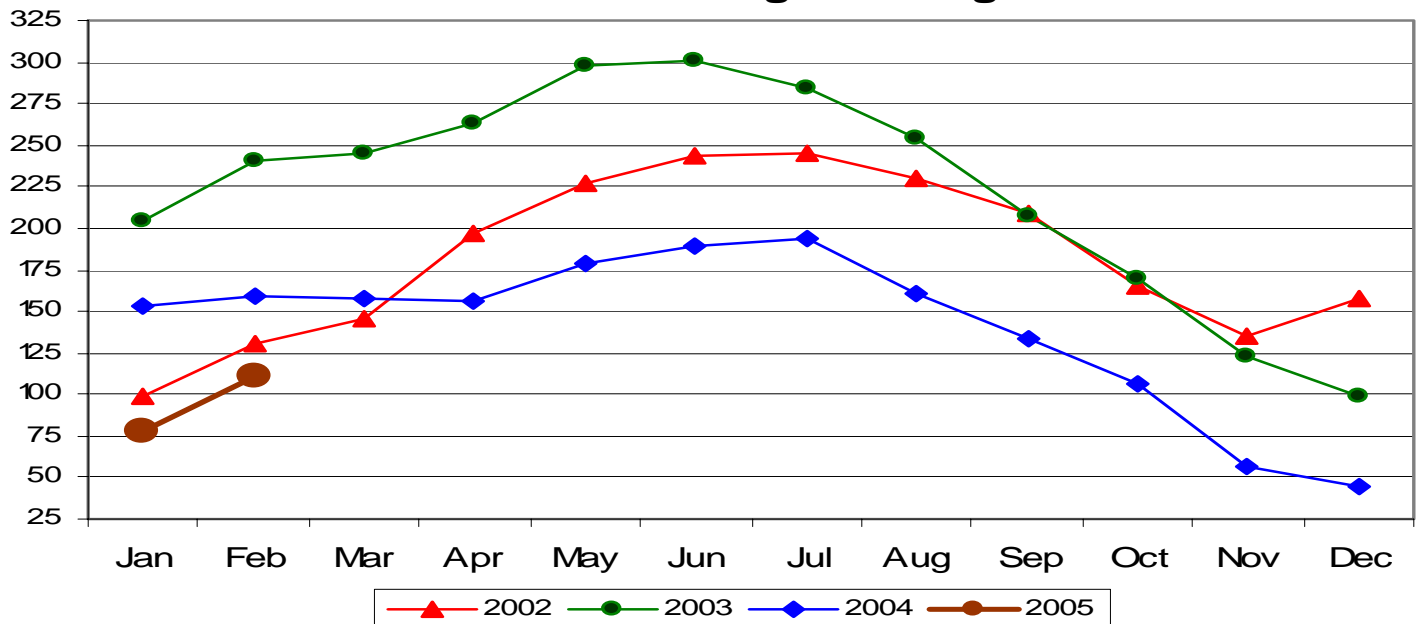
## FEBRUARY STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
New England	21,737	23,492	24,904	---	---	---	258	368	345
Middle Atlantic	58,459	51,474	47,743	---	---	---	18,624	14,986	9,535
East North Central	222,017	205,666	197,255	---	---	---	119,315	121,601	116,150
West North Central	124,574	120,317	112,367	---	---	---	53,326	51,305	47,312
South Atlantic	104	5,894	4,038	---	---	---	1,856	1,247	445
East South Central	433	137	78	---	---	---	177	2,285	2,225
West South Central	1,661	2,334	1,568	---	---	---	246	89	162
Mountain	13,866	23,499	27,207	---	---	---	1,934	4,263	6,026
Pacific	95,982	99,803	82,046	---	---	---	12,288	11,974	10,175
TOTAL	538,833	532,616	497,206	239,879	159,066	111,239	208,024	208,118	192,375

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

Million Pounds

## Butter Cold Storage Holdings



## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2004 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	Million Pounds						Million Pounds						Million Pounds					
January	77	152	77	151	<u>3/</u>	1	479	518	475	508	4	10	448	945	91	109	357	836
February	111	159	111	158	<u>3/</u>	1	497	533	495	523	3	10		896		95		800
March		158		158		1		521		511		10		841		80		761
April		156		155		<u>3/</u>		526		517		10		826		104		723
May		179		178		<u>3/</u>		559		549		10		814		123		691
June		189		189		<u>3/</u>		591		582		9		774		146		628
July		194		193		<u>3/</u>		616		609		7		755		161		594
August		161		161		<u>3/</u>		569		562		7		716		149		567
September		133		133		<u>3/</u>		554		547		6		650		127		523
October		107		107		<u>3/</u>		528		521		7		602		116		486
November		57		57		<u>3/</u>		481		476		5		552		94		458
December		45		45		<u>3/</u>		481		476		5		512		99		413

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Jan 31, 2003	Jan 31, 2004	Jan 31, 2005	Feb 28, 2003	Feb 28, 2004	Feb 28, 2005
	Thousand Pounds					
Butter	204,479	151,190	77,107	238,488	157,857	111,139
Natural American Cheese	514,634	508,497	475,489	538,465	523,000	494,512

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

**SOURCE:** "Cold Storage," Co St 1 (3-05) and "Dairy Products," Da 2-6 (3-05), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.



## Measures of Growth in Federal Milk Order Markets, Selected Years, 1947-2004

Year	Number of markets 1/	Population of Federal milk marketing areas	Number of handlers 1/	Number of producers 2/	Receipts of producer milk 3/	Producer milk used in Class I	Percentage of producer milk used in Class I	Prices at 3.5% butterfat content 2/		Receipts as percentage of milk sold to plants and dealers		Daily deliveries of milk per producer	Gross value of receipts of producer milk 4/	
								Class I	Blend	Fluid grade	All milk		Per producer	All producers
	Number	1,000	Number	Number	Million pounds		Percent	Dol. per cwt.		Percent		Pounds	Dollars	1,000 dol.
1947	29	---	991	135,830	14,980	9,808	65.5	4.65	4.34	---	21	302	5,024	682,407
1950	39	---	1,101	156,584	18,660	11,000	58.9	4.51	3.93	41	25	326	4,914	769,442
1955	63	46,963	1,483	188,611	28,948	18,032	62.3	4.67	4.08	51	32	420	6,510	1,227,815
1960	80	88,818	2,259	189,816	44,812	28,758	64.2	4.88	4.47	64	43	648	10,482	1,989,615
1965	73	102,351	1,891	158,077	54,444	34,561	63.5	4.93	4.31	70	48	944	15,300	2,418,526
1970	62	125,721	1,588	143,411	65,104	40,063	61.5	6.74	5.95	79	59	1,244	27,636	3,963,311
1975	56	150,666	1,315	123,855	69,249	40,106	57.9	9.36	8.64	78	63	1,532	49,233	6,097,768
1980	47	164,908	1,091	117,490	83,998	41,034	48.9	13.77	12.86	80	67	1,954	93,685	11,007,001
1985	44	176,440	884	116,765	97,762	42,201	43.2	13.88	12.61	80	70	2,294	107,871	12,595,522
1986	44	177,992	849	112,322	98,791	42,725	43.2	13.60	12.38	80	71	2,413	111,581	12,515,451
1987	43	180,374	797	105,882	98,182	42,876	43.7	13.90	12.51	80	71	2,542	118,402	12,529,800
1988	42	184,180	776	104,141	100,066	43,141	43.1	13.42	12.14	79	71	2,627	119,261	12,419,974
1989	41	185,919	748	100,291	95,871	43,367	45.2	14.51	13.30	75	68	2,614	129,744	13,012,796
1990	42	195,841	753	100,397	102,396	43,783	42.8	15.55	13.78	77	70	2,796	142,324	14,289,567
1991	40	198,409	722	100,267	103,252	45,033	43.6	13.30	12.11	76	71	2,821	121,479	12,180,354
1992	40	200,530	698	97,803	107,947	44,914	41.6	14.57	13.12	77	73	3,017	146,452	14,323,698
1993	38	199,604	675	92,934	103,979	44,805	43.1	14.19	12.89	73	69	3,073	145,350	13,507,974
1994	38	201,561	629	91,397	107,811	44,866	41.6	14.75	13.16	75	71	3,232	156,253	14,281,193
1995	33	207,548	571	88,717	108,548	45,004	41.5	14.19	12.79	75	71	3,350	157,754	13,995,454
1996	32	209,599	570	82,947	104,501	45,479	43.5	16.19	14.64	72	69	3,442	187,713	15,570,261
1997	31	208,379	570	78,422	105,224	44,917	42.7	14.36	13.10	71	69	3,676	178,424	13,992,366
1998	31	210,484	522	72,402	99,223	44,968	45.3	16.14	14.92	66	64	3,755	202,770	14,681,340
1999	31	212,118	487	69,008	104,479	45,216	43.3	16.24	14.09	67	65	4,148	216,794	14,960,544
2000	11	228,899	346	69,590	116,920	45,989	39.3	14.24	12.11	72	70	4,590	207,913	14,468,892
2001	11	231,487	350	66,423	120,223	45,887	38.2	16.96	14.90	75	73	4,959	275,642	18,308,968
2002	11	234,256	338	63,856	125,546	46,043	36.7	13.69	11.91	77	76	5,387	239,520	15,294,802
2003	11	236,180	331	58,110	110,581	45,843	41.5	14.10	12.12	67	65	5,178	242,066	14,066,672
2004	10	234,825	306	52,341	103,048	44,939	43.6	17.56	15.74	62	61	5,352	324,712	16,996,426

1/ End of year. The number of markets peaked at 83 in 1962. The number of handlers peaked at 2,314 in 1961.

2/ Average for year. The number of producers peaked at 192,947 in 1961.

3/ Beginning in 1989, due to disadvantageous price situations in some markets, handlers elected not to pool milk that normally would have been associated with the order. This has reduced, sometimes substantially, the volume of producer milk receipts reported for some markets. This can also affect significantly the comparability of other "Measures of Growth" based on this statistic.

4/ Based on blend (uniform) price adjusted for the butterfat content, and in later years, other milk components of producer milk.

## FEDERAL MILK ORDER ADVANCE PRICES, APRIL

**Class I Base Price** - Under the Federal milk order pricing system, the Class I base price for April 2005 is \$14.13 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$8.35 and the advanced butterfat pricing factor is \$1.7359. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.84. Thus, the Class II skim milk price for April is \$7.54 per cwt., and the Class II nonfat solids price is \$0.8378. **Product Price Averages** - The two-week product price averages for April are: butter \$1.5616, nonfat dry milk \$0.9073, cheese \$1.5140, and dry whey \$0.2485.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/</u> <u>2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	April 2005		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <u>4/</u>	001	17.38	11.60	1.7684
Appalachian (Charlotte) <u>5/</u>	005	17.23	11.45	1.7669
Southeast (Atlanta) <u>6/</u>	007	17.23	11.45	1.7669
Florida (Tampa) <u>7/</u>	006	18.13	12.35	1.7759
Mideast (Cleveland) <u>8/</u>	033	16.13	10.35	1.7559
Upper Midwest (Chicago) <u>9/</u>	030	15.93	10.15	1.7539
Central (Kansas City) <u>10/</u>	032	16.13	10.35	1.7559
Southwest (Dallas) <u>11/</u>	126	17.13	11.35	1.7659
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	16.48	10.70	1.7594
Pacific Northwest (Seattle) <u>13/</u>	124	16.03	10.25	1.7549
All-Market Average		16.78	11.00	1.7624

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. 10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

## THE DAIRY OUTLOOK

**Summary** - The dairy industry in 2004 was covered with records: matching 2003 for record output; setting commercial use records for both milkfat and skim solids; and seeing average prices hit a record. In 2005, the industry may not need quite as many superlatives, but it is shaping up as a memorable year. Production and use probably will again set records with prices declining only moderately.

**2004 Output Matches 2003** - Milk production in 2004 struggled somewhat but managed to total essentially the same as in 2003. Output started the year weak but recovered slowly as strong returns buttressed cow numbers, the reverse of the prior year when low returns sapped cow numbers as the year progressed. Meanwhile, growth in milk per cow was erratic and generally weak. Higher returns during the second half of 2003 and rapidly improving price prospects during the winter turned cow numbers around in early 2004. Milk cows rose fractionally to a late summer peak before easing slightly in autumn. At yearend, milk cow numbers were just slightly larger than a year earlier. The reaction of cow numbers to the increase of about one-third in returns over concentrate costs was quite muted. The number of farms leaving dairying apparently did shrink in a relatively typical manner. However, producers were very cautious about expanding their farms. The very strong milk prices probably were interpreted as based on a unique and transitory set of factors, not fundamental changes in long-run prospects. In addition, the increases in milk prices were partially offset by smaller payments under the Milk Income Loss Contracts (MILC) for the smaller farms. Other forces helped to limit the response to record milk prices. The number of dairy replacement heifers was significantly smaller at the start of 2004, particularly for heifers due to calve in 2004. The ban on imports of Canadian breeding stock aggravated the heifer shortage. In addition, the two exercises in cooperative supply management not only removed capacity early, but also kept those cows from becoming part of the replacement pool. Growth in milk per cow, already relatively weak through most of 2003, was hit by sharply reduced availability of bovine somatotropin (BST) in 2004. For the March-November period, producers could buy no more than half their normal purchases, with less restrictive allocations in place earlier and later. In addition, no new customers were accepted. Milk per cow was significantly reduced by the lack of the hormone, particularly early in the year. However, softness in milk per cow was more deeply rooted than just the lack of BST. Most major dairy areas had forage quality problems during part of 2004. Although most areas had fairly large forage supplies, a substantial share was not dairy quality. In addition, the normal boost to average milk per cow because of structural change was lessened because the number of new and expanding farms and the number of exiting farms were relatively small.

**Milk Production To Expand** - The herd of dairy replacement heifers was 3 percent larger than a year earlier on January 1, 2005, with the same increase in heifers expected to calve in 2005 as for younger heifers. This increase should significantly ease the heifer tightness this year and has already resulted in a small moderation in heifer prices. Even so, 2005 heifer prices are likely to remain relatively high. Without imports from Canada, even the larger heifer numbers may be less than desired. The difference between replacement and slaughter values probably will stay large enough to erase any significant influence of cull cow prices on milk cow numbers. Returns in 2005 are expected to be considerably below 2004's very high levels but still relatively strong. Dairy farm exits probably will accelerate a little as the year progresses, particularly if the MILC expires as scheduled at the end of September. However, even weaker operations likely will be relatively well positioned to resist exit after 2 years of strong returns. Stronger farms probably will stay cautious about expanding until the size of recovery in milk production is seen. But, the accumulated earnings will tend to spur some expansion as 2005 goes on. Milk cow numbers are projected to slip fractionally in 2005. The loss of cows associated with farm exit and culling of those cows whose milking life was extended beyond normal criteria in 2004 is expected to slightly outweigh the effects of added capacity. Allocations of BST rose on March 1 from 85 percent of normal to 115 percent, although new customers still are not welcome. Return to near-normal availability of BST and relatively strong economic incentive for its use should have a substantial impact on milk per cow. In addition, relative milk and concentrate feed prices will provide considerable incentive to boost feeding. A presumed return to more normal culling may also provide a boost, although positive effects are not assured. Uneven forage quality might be a negative influence on milk per cow, particularly if spring forage growth is slow. Weakness should be limited though, because large supplies of mediocre hay and good milk prices probably will eliminate feeding of poor forage. Problems may loom for production of western alfalfa this year. Milk per cow is projected to grow less than 3 percent in 2005 on a daily average basis, a significant but far from complete recovery from the sluggish expansion of the last 2 years. This higher milk per cow would push milk production up about 2 percent, the first real growth since 2002.

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**Cheese and Butter Demand Amazing, With Powder Catching Up** - Commercial use of dairy products rose to records in 2004 despite sharp jumps in most dairy prices. On a milkfat basis, use rose more than 1 billion pounds milk equivalent even though butter prices averaged above \$1.60 per pound every month other than January. Commercial exports of nonfat dry milk and much more moderate price increases for skim solids let sales of skim solids rise more than 7 billion pounds milk equivalent.

Dairy demand in 2004 clearly was extraordinary, even if it might not have been quite as strong as it appeared. Growth in the economy and consumer incomes was strong, and the unemployment rate decreased. In addition, consumer spending shifted back towards more normal patterns after the unusual 2002-03 period. This change particularly benefited restaurants, boosting demand for butter and cheese. However, consumer price response might have been more pronounced if the sheer spring price increases had not reversed course so quickly. Buyers barely had time to react before prices fell. Dairy demand is expected to stay good in 2005. The economy and incomes are projected to continue to grow at a relatively strong pace. In addition, food and restaurant spending seems to have shaken off the doldrums of 2002 and most of 2003. Commercial use of milkfat is expected to increase about 1 percent in 2005, while commercial use of skim solids is projected to rise 2 percent, in part because of commercial exports of powder.

**Prices Adjust Downward** - Wholesale prices of butter and cheese got a post-holiday bump in early 2005 on the strength of a slight softness in the milk production expansion, a likely larger-than-normal pipeline refilling, and, possibly, some early precautionary buying. Since then, prices have bounced as traders have tried to adjust to unsettled fundamentals, a particularly early Easter season, and the jitters carried over from last year's volatility. However, production expansion, both seasonally and from a year earlier, is expected to generate a price downtrend through spring. Demand is not expected to be able to accommodate the projected milk production without an adjustment in average milk prices for the year. However, a \$1 to \$2 decrease from \$16 per cwt still leaves relatively attractive milk prices. Early 2005 milk prices have been above a year earlier, but this spring's prices will be much below last year. Prices are projected to stay below a year earlier during the second half. Key uncertainties in the price outlook include the recovery in milk per cow, an acceleration of the number of farms expanding, the strength of butter and cheese demand, and the path of international powder prices. Given the history of recent years, even the relatively full return of BST is no guarantee of strong milk per cow. On the other hand, the accumulated returns from 2004 and the first half of 2005 may encourage producers to do whatever has to be done to get new facilities built and filled. If the domestic demand for cheese and butter and export demand for nonfat dry milk all stay brisk throughout 2005, the struggle for the milk supply could keep price declines smaller than expected. On the other hand, significant softening in two of the segments or a sharp break in any one could accentuate the price drop. Retail dairy prices rose more than 7 percent in 2004, despite the second straight decline in the farm-to-retail spread. Like other dairy prices, retail prices rose at a blistering rate between early 2004 and summer before easing somewhat during the second half. In 2005, retail dairy prices are projected to increase 1 to 2 percent as a moderate expansion in the spread outweighs the decline in farm prices.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-129, March 16, 2005, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184. This summary has been condensed from the original.



### ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS, APRIL 2005, WITH COMPARISONS

For April 2005, the all-city average announced cooperative Class I price was \$18.20 per cwt., \$1.54 higher than the Federal milk order Class I price average for these cities. The April cooperative Class I price was \$1.29 lower than the revised March price, while the Federal order price was \$1.30 lower. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.15 in Phoenix, AZ, to \$2.68 in Miami, FL. For April 2004, the all-city average announced cooperative Class I price was \$17.68, \$1.51 higher than the Federal order Class I price average for these cities.

City	April 2005		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	18.84	17.23	1.61
Baltimore, MD	18.93	17.13	1.80
Boston, MA	19.08	17.38	1.70
Charlotte, NC	18.84	17.23	1.61
Chicago, IL	18.43	15.93	2.50
Cincinnati, OH	18.04	16.33	1.71
Cleveland, OH	17.84	16.13	1.71
Dallas, TX	18.00	17.13	0.87
Denver, CO	17.53	16.68	0.85
Des Moines, IA	17.66	15.93	1.73
Detroit, MI	17.59	15.93	1.66
Hartford, CT	18.98	17.28	1.70
Houston, TX	18.60	17.73	0.87
Indianapolis, IN	17.84	16.13	1.71
Kansas City, MO	17.35	16.13	1.22
Louisville, KY	17.94	16.33	1.61
Memphis, TN	18.34	16.93	1.41
Miami, FL	21.11	18.43	2.68
Milwaukee, WI	18.38	15.88	2.50
Minneapolis, MN <u>2/</u>	18.08	15.83	2.25
New Orleans, LA	19.14	17.73	1.41
Oklahoma City, OK	17.65	16.73	0.92
Omaha, NE	17.41	15.98	1.43
Philadelphia, PA	19.16	17.18	1.98
Phoenix, AZ	16.63	16.48	0.15
Pittsburgh, PA <u>3/</u>	18.16	16.23	1.93
St. Louis, MO	17.68	16.13	1.55
Seattle, WA	16.45	16.03	0.42
Springfield, MO	17.25	16.33	0.92
Washington, DC	18.93	17.13	1.80
Simple Average <u>4/</u>	18.20	16.66	1.54

1/ This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

2/ Announced cooperative Class I prices for Jan.-Mar. 2005 have been revised to \$20.48, \$17.83, and \$19.59.

3/ Announced cooperative Class I price for March has been revised to \$19.46.

4/ Announced cooperative Class I prices for Jan.-Mar. 2005 have been revised to \$20.62, \$17.92, and \$19.49.

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF MARCH 21 - 25, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 03/18/05	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	-0-	-0-	-0-	31,817,269	250,514,270	-0-	789,630,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
<b>TOTAL</b>	-0-	-0-	-0-	31,817,269	250,395,222	-0-	836,021,000

**MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)**

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 21 - 25, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.2	11.2
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	54.2	2,914.6
CUMULATIVE JANUARY 1 - MARCH 25, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	28.7	1,565.3

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

**CCC ADJUSTED PURCHASES FOR THE WEEK OF MARCH 21 - 25, 2005 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	8,105,567	4.2	3.3
WEST	-0-	-42,309	-0-	-0-	29,415,099	238,005,881	92.4	95.0
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.7
<b>TOTAL</b>	-0-	-42,309	-0-	-0-	31,817,269	250,395,222	100.0	100.0

**NDM SELLBACK TO THE TRADE** The cumulative sellback total for 2005 is 0 pounds.

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$1.0500 per pound; 1# Prints \$1.0850

**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

**NONFAT DRY MILK** Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 03/05/05 & Comparable Week 2004**

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.7	N.A.	2.5	13.3	3.1	0.7	N.A.	13.5	1.6	42.2	480.4	51.2	49.4
2004-Dairy	0.1	0.8	N.A.	4.6	16.8	2.8	1.2	N.A.	13.1	4.1	51.9	504.1	52.7	49.8
2005-All cows	N.A.	0.7	N.A.	9.6	25.9	9.0	11.1	N.A.	14.5	1.8	82.5	971.8		
2004-All cows	0.1	0.8	N.A.	9.4	28.3	13.3	14.6	N.A.	14.1	6.3	98.4	1,011.5		

**SOURCE** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

**FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13								
II	13.04	13.36										
III	14.14	14.70										
IV	12.52	12.74										

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)